

UiO : **Department of Private Law**
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Control models in Nordic businesses: the role of the public and the private for sustainability



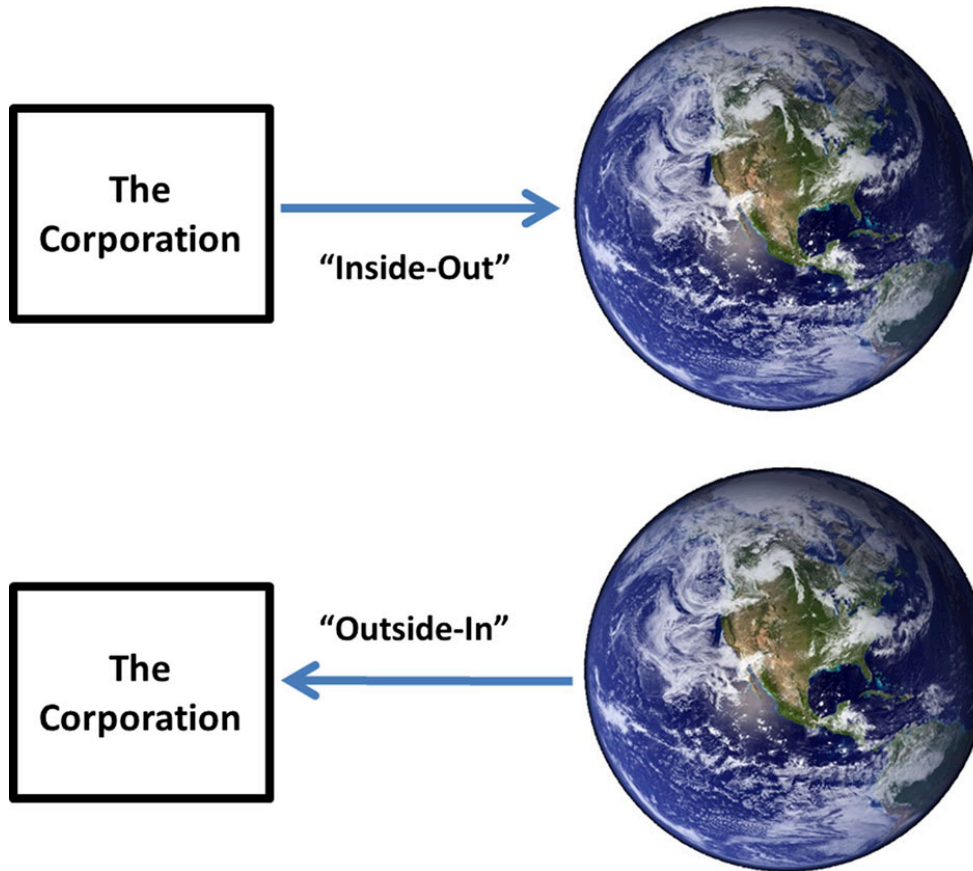
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Typical for Nordics – ‘Nordic model’

- Control structures
 - Large firms controlled by families
 - Foundations
 - Public actors
 - Small and mediums sized enterprises
 - Cooperatives
- Stakeholder engagement and dissemination

Weak Nordic sustainability

- The ‘Nordic model’ typical for *weak sustainability*
 - Nordic welfare state after WWII
 - B2C focus – stakeholders (consumers, employees) 1970s
 - “Outside in” model in governance –



Strand et al 2015

Weak Nordic sustainability

- “Implicit corporate social responsibility”
- Counterforce: concentrated economic power to public, hybrid and private hands
 - “mixed ownership”

Historical developments

- Lack of capital after WWII
 - State ownership (Norway, Finland)
- Constant banking crises
 - Norway 1988
 - Finland 1991
 - Iceland 2008
- Oil!
 - Norway 1967

Important historical developments

- Creation of pan-Nordic corporations
 - Listings in several Nordic stock exchanges
 - Convergence through «ownership»
 - Satisfaction of international investors – corporate governance codes

Markets

- Collective ownership (retail investors and cooperatives)
 - Incentives to consumption: Every day is a black Friday
- State (Norway, Sweden, Finland)
 - The Norwegian sovereign wealth fund
- Municipalities
- Families and individuals
- Foundations (Denmark)

Danish model

- Foundations
 - Carlsberg, Novo Nordisk, A.P. Møller
- Cooperatives
- No strong state ownership
- Private entrepreneurship
 - SMEs first

Norwegian model

- State
 - Scarcity of capital after WWII
 - Oil (Equinor, ex Statoil, ex Den norske stats oljeselskap 1972, Norsk Hydro)
 - Government Pension Funds (Global, Norway)
 - Bank crisis 1988 (DNB Bank)
 - Telenor, Yara, Kongsberg Group,
 - Norsk Tipping, Vinmonopolet

Norwegian model

- Counterbalanced by
 - SMEs
 - Strong personified ownership
 - Cooperatives

Swedish model

- Families and foundations
 - Bonnier, Wallenberg
 - Industrivärden, Wallenberg, Kamprad
- Retail investors and cooperatives
- State
 - Strong state portfolio (48 firms, SEK 510b, 137,000 employees)
 - Telia Company, SAS Group, Vattenfall, Svenska Spel
 - Systembolaget

Finnish model

- Destruction of Housebank model (bank crisis 1993)
- Pension companies and funds
- Families
 - Herlin, Wihuri, Ahlström
- Mutuals and cooperatives
- Foundations
- State
 - Finnair, Fortum
 - Fingrid, Gasum, Alko

Common to the models

- Long-term or super long-term ownership
 - Interest of end-beneficiaries (family, employees, local communities, citizens, future generations)
- »Weak» non-executive boards
- Commitment: active ownership in spite of the corporate governance codes
- Politicization
- But do not forget SMEs!
 - Companies, cooperatives, partnerships
- ... And banks: bank-based financial system

Icelandic model

- The Icelandic bank crisis 2008-10 and aftermath
- Problematics of financial sector dominance
- Icelandic State Financial Investments
 - domestic sustainable business

Trends

- The influence of the increasingly global *financial markets* on Nordic business models
- The rich history of particular Nordic business models, such as SMEs and *cooperatives*
- How digitalization changes business practices
- Sustainability of digitalization technologies

Digitalization

- Algorithmic trading
- Digitalized investment supply chains
- Platform economy
- Distributed ledger technology («blockchain»)
- Possibilities for shared ownership
- More and more complex value chains

Stakeholder engagement and dissemination

- Traditionally
 - Trade unions
 - Consumers
- Failures
 - Indigenous communities

Struggle between ownership and responsibility

- Reflected in a struggle
 - Shareholder primacy drive based on American model Nordic corporate governance codes
 - With a twist of implicit or explicit corporate social responsibility
 - Board diversification – but mainly gender only
 - De facto loyalty to the «owners» - albeit law recognises only loyalty to the corporation
 - The State

Struggle between ownership and responsibility

- On the other hand, sort of shareholder activism
 - Strong long-term or super long-term investors
 - States and other public and hybrid market actors
 - Pension funds and pension insurance companies, sovereign wealth funds
 - Foundations and families
- Value maximization v sustainability interest

THANK YOU!

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